

Sabine Parish Sales and Use Tax Commission

FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2012



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Eugene W. Fremaux II

Certified Public Accountant

SABINE PARISH SALES AND USE TAX COMMISSION
MANY, LOUISIANA
DECEMBER 31, 2012

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Sabine Parish Sales and
Use Tax Commission
Many, Louisiana

We have audited the accompanying financial statements of the governmental activities of the Sabine Parish Sales and Use Tax Commission, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Sabine Parish Sales and Use Tax Commission as of December 31, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sabine Parish Sales and Use Tax Commission's basic financial statements. The accompanying other information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying other information, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 28, 2013, on our consideration of Sabine Parish Sales and Use Tax Commission's internal control over financial reporting and our tests on its compliance with certain provision of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.



EUGENE W. FREMAUX II, CPA
June 28, 2013

SABINE PARISH SALES AND USE TAX COMMISSION
MANY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012

This section of the Commission's annual financial report presents our discussion and analysis of the Commission's financial performance during the fiscal year ended December 31, 2012. Please read it in conjunction with the transmittal letter at the front of this report and the Commission's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The Commission's tax collections in 2012 decreased by 33% (\$13,237,523) to \$26,528,853, over collections in 2011 due primarily to a decrease in natural gas exploration and development activity in Northwest Louisiana.

Total current assets increased by \$211,929 to \$764,150 during 2012, due primarily to an additional \$243,356 of taxes paid under protest during 2012.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts:

Management's discussion and analysis
Basic financial statements
Supplementary information

The basic financial statements include all of the funds of the Commission. All of the funds of the Commission can be grouped into one category, fiduciary funds, which are used to account for resources, held for the benefit of outside parties, such as other governments. The Commission used its fund to account for sales taxes, which it collects for Sabine Parish governments.

FINANCIAL ANALYSIS OF THE COMMISSION AS A WHOLE

CONDENSED STATEMENT OF FIDUCIARY NET POSITION

	2012	2011
Total current assets	<u>\$ 764,150</u>	<u>\$ 552,221</u>
Accounts payable	10,809	1,230
Protested tax payments	741,878	498,522
Due to taxing bodies	11,463	52,096
Compensated absences		373
Total liabilities	<u>\$ 764,150</u>	<u>\$ 552,221</u>
Net position	<u>\$ -</u>	<u>\$ -</u>

SABINE PARISH SALES AND USE TAX COMMISSION
MANY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012

Changes in Due to Taxing Bodies

	2012	2011
Taxes Collected	<u>\$26,528,853</u>	<u>\$39,805,965</u>
Distributions:		
School Board	12,861,000	19,960,221
Police Jury	5,144,071	7,983,684
Town of Many	1,326,848	1,440,193
Town of Zwolle	551,642	526,593
Village of Converse	92,590	85,682
Village of Florien	161,928	139,980
Village of Pleasant Hill	97,507	120,969
Sabine Parish Law District	3,858,100	5,987,842
Sabine Parish Tourist Commission	142,021	151,775
District Attorney	645,910	1,000,561
Sabine Council on Aging	1,285,960	1,995,825
Commission operating expenses	<u>401,909</u>	<u>373,051</u>
Total Distributions and Expenses	<u>26,569,486</u>	<u>39,766,376</u>
Increase (decrease) in due to taxing bodies	<u>\$ (40,633)</u>	<u>\$ 39,589</u>

The Commission's operating expenses in 2012 comprised 1.36% of the taxes collected. The increase in operating expenses in 2012 relates primarily to increased personnel costs.

ECONOMIC FACTORS

The Commission has no current knowledge of any economic conditions that could have significant adverse affects on sales tax collections or operating expenses during 2013, other than the current continued depressed state of the nation's economy and decreased oil and gas drilling activity in the parish in 2013. Collections during the first five months of 2013 were down \$5,084,567, or 38%, from the corresponding period in 2012.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Lindy Strahan, Administrator, 670 San Antonio Avenue, Many, LA 71449.

SABINE PARISH SALES AND USE TAX COMMISSION
MANY, LOUISIANA
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2012

ASSETS

Cash	\$ 21,838
Cash-restricted	741,878
Prepaid expenses	<u>434</u>
Total assets	<u><u>\$ 764,150</u></u>

LIABILITIES

Accounts payable	\$ 10,809
Protested tax payments	741,878
Due to taxing bodies and others	11,463
Compensated absences payable	<u>-</u>
Total liabilities	<u><u>\$ 764,150</u></u>
Net position	<u><u>\$ -</u></u>

SABINE PARISH SALES AND USE TAX COMMISSION
MANY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

(1) Introduction

The Sabine Parish Sales and Use Tax Commission (Commission), Many, Louisiana, was created on June 30, 1992 by the political subdivisions within Sabine Parish for the joint collection, enforcement, and administration of the sales and use taxes levied by these subdivisions. The Commission is managed by a Board of Commissioners composed of: two members appointed by the Sabine Parish Police Jury, two members appointed by the Sabine Parish School Board, one member appointed by the Town of Many, one member appointed by the Town of Zwolle, one member appointed by the Village of Florien, one member appointed by the Village of Pleasant Hill, and one member at large jointly appointed by the other eight commissioners.

The costs of establishing and operating the Commission are shared jointly by the taxing bodies on a pro-rata basis based on the ratio that the taxes collected for each bears to the total taxes collected.

(2) Summary of significant accounting policies

Reporting entity

For financial reporting purposes, the Commission includes all funds that are within the oversight responsibility of the Commission.

Basis of presentation

Fiduciary Fund Type

Fiduciary Fund - This fund is used to account for assets held by the Commission in a trustee capacity or as an agent for the taxing authorities.

Basis of accounting

The accounting and reporting policies of the Commission conform with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements constitutes GAAP for governmental entities. The accounting and reporting policies of the Commission conform to the requirements of Louisiana Revised Statutes 24:517 and to the guidance set forth in the Louisiana Governmental Audit Guide.

SABINE PARISH SALES AND USE TAX COMMISSION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

(3) Pending litigation

The Commission is not involved in any litigation at December 31, 2012, other than litigation involving taxpayer collection efforts and protested tax payments. During 2008, the Commission received \$249,422 of assessed taxes paid under protest for which subsequent suit was filed by the taxpayer against the Commission. Taxes paid under protest in 2010 and 2011 amounted to \$249,100. During 2012, the Commission received an additional \$243,356 of taxes paid under protest for which suits were filed by the taxpayers against the Commission. As of December 31, 2012 these suits were pending.

(4) Compensated absences

All employees earn 5 - 20 days of annual vacation leave per year depending on length of service with the Commission. Such leave is credited on a pro rata basis at the end of each payroll reporting period and accumulates. No more than 10 days can be carried forward to the next year. Annual leave is paid upon termination of employment.

(5) Personnel costs

The Commission's employees are paid by the Sabine Parish Police Jury (Jury) and the Jury is reimbursed by the Commission for the related payroll costs, including fringe benefits.

Substantially all employees of the Commission are members of the Parochial Employees Retirement System of Louisiana (System), a multiple-employer, public employee retirement system, administered by a board of trustees. Employees of the Commission are members of Plan A. Pertinent information relative to the plan follows:

Plan description - The System is composed of two plans, A and B. Ten years of service is required to become vested for retirement benefits, which are established and amended by state statute. The System issues publicly available financial reports that include financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, P O Box 14619, Baton Rouge, LA 70898-4619, or by calling 504-928-1361.

Funding Policy - Plan A members are required to contribute 9.5 percent of their annual covered salary and the Commission is required to contribute at an actuarially determined rate, which is currently 15.75 percent of annual covered payroll. The Commission's employer contributions to the System, as provided by state law, is funded by the State of Louisiana through annual appropriations, by deductions from local ad valorem taxes, and by remittances from the Commission.

SABINE PARISH SALES AND USE TAX COMMISSION
MANY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

The Commission's contributions to the System for the years ended December 31, 2012, 2011, and 2010 were \$12,188, \$10,962, and \$10,643, respectively, which equal the required contributions for each year.

(6) Compensation of commissioners

The commissioners' compensation or per diem during the year ended December 31, 2012 as follows:

I. D. Bostian	\$ 2,400
Bobby Williams	500
Glenn Arnold	250
Georgia Jett	500
Buddy Veuleman	350
Gloria Ruffin	450
Donald Remedies	500
G. J. Martinez	450
Jim House	450
Kenneth Funderburk	50

(7) Taxes paid under protest

The Commission has several suits filed against it involving taxes paid under protest. The balance of taxes paid under protest (including interest) at December 31, 2012 was \$741,877.

(8) Changes in Agency Fund Deposits due Others

A summary of changes in agency fund deposits due others for 2012 follow:

SABINE PARISH SALES AND USE TAX COMMISSION
MANY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Balance, beginning of year					<u>\$ 52,096</u>
	Sales Tax Rate	Collections	Collection Costs	Distributions	
School Board	2.000%	13,047,874	186,874	12,861,000	
Police Jury	1.000%	5,218,755	74,684	5,144,071	
Town of Many	1.000%	1,334,872	8,024	1,326,848	
Town of Zwolle	2.000%	555,504	3,862	551,642	
Village of Converse	1.000%	93,429	839	92,590	
Village of Florien	1.000%	163,209	1,281	161,928	
Village of Pleasant Hill	1.000%	98,367	860	97,507	
Sabine Parish Law District	0.750%	3,914,114	56,014	3,858,100	
Sabine Parish Tourist Commission	3.000%	142,837	816	142,021	
District Attorney	0.125%	655,262	9,352	645,910	
Sabine Council on Aging	0.250%	1,304,630	18,670	1,285,960	
		<u>26,528,853</u>	<u>361,276</u>	<u>26,167,577</u>	361,276
Commission operating expenses					<u>(401,909)</u>
Balance, end of year					<u>\$ 11,463</u>

(9) Cash

Louisiana Revised Statutes authorize the Commission to invest in United States bonds, treasury notes or certificates, time certificates of deposit, or any other federally insured investment.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. Cash consists of both non-interest and interest bearing bank accounts with area financial institutions. At year end, non-interest bearing demand deposit accounts at the bank were insured in full by the Federal Deposit Insurance Corporation (FDIC). Interest bearing accounts were insured by the FDIC up to \$250,000 per institution. Banks are required by R.S. 49:321 to pledge security for deposits in excess of FDIC coverage. Louisiana revised statutes requires the custodial bank to advertise and sell the pledged securities within ten days of being notified by the Commission that the pledging bank has failed to pay deposited funds upon demand. At year end, the Commission was not exposed to custodial credit risk.

Cash at year end in the amount of \$741,877 is restricted for taxes paid under protest.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS*

The Board of Commissioners
Sabine Parish Sales and
Use Tax Commission
Many, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Sabine Parish Sales and Use Tax Commission Sabine Parish Sales and Use Tax Commission, Many, Louisiana, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated June 28, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my



audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended purpose of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

A handwritten signature in black ink, appearing to read 'Eugene W. Fremaux II', with a stylized flourish at the end.

EUGENE W. FREMAUX II, CPA
June 28, 2013

SABINE PARISH SALES AND USE TAX COMMISSION
SCHEDULE OF FINDINGS
DECEMBER 31, 2012

Current year

None

Prior year

Finding 2011-01 Protested Taxes

Condition

In the past, taxpayers filing protested taxes have been few and infrequent; however beginning in 2011 the number of taxpayers filing protested taxes, and the frequency of protest filings, have increased significantly; and the complexity of the protested tax issues have increased. The Commission has correctly deposited the protested taxes in a separate protest tax account; however no subsidiary records were maintained to account for these taxes by taxpayer. Proper internal controls over protested taxes should include appropriate subsidiary records by taxpayer.

Recommendation

The Commission's accounting system should be used to maintain the proper subsidiary records of protested tax payments, along with the related interest income allocation. These records will be automatically updated when the related protest tax deposits are recorded.

Current Status

Resolved.

Finding 2011-02 Reconciliation of Taxes Collected

Condition

In prior years the reconciliation of taxes collected per the sales tax processing system to the total deposits in the collection bank account was very simple and straightforward; and in most months the total deposits per the bank statement agreed to the total collections processed by the sales tax system. However, with recent changes in processing caused by (1) taxpayers paying protested taxes and non-protested taxes with one check, (2) taxpayers protesting taxes they paid to other taxpayers, (3) the Town of Many receiving their distributions by check rather than by direct deposit to their sales tax bank account in the Commission's bank, and (4) the electronic payment of sales taxes by the State of Louisiana without a related e-filed return, the reconciliation process is more complex. During 2011, a formal, written reconciliation of the sales taxes deposited to the sales taxes collected per the sales tax processing system was not done. Proper internal controls over sales tax collections should include a reconciliation of total bank deposits to total sales taxes collected and distributed per the tax processing system.

Recommendation

A written reconciliation of the total sales taxes deposited per the bank statement to the sales tax collections processed by the sales tax system should be prepared and attached to the monthly bank reconciliation of the sales tax receipt account. In addition, written procedures should be prepared to document the processing procedures to be applied to the transactions referred to in (1) to (4) above, since these transactions are being handled outside the

SABINE PARISH SALES AND USE TAX COMMISSION
SCHEDULE OF FINDINGS
DECEMBER 31, 2012

normal processing of sales tax payments. These procedures should be updated for any other type transactions which occur in the future, and require processing outside the normal processing procedures.

Current Status

Resolved.